JOINT STOCK COMPANY “BRIVAIS VILNIS”

(COMMON REGISTRATION NUMBER 40003056186)

ANNUAL REPORT FOR 2008

(the 17th financial year)

PREPARED IN ACCORDANCE WITH THE LAW
OF THE REPUBLIC OF LATVIA ON FINANCIAL STATEMENTS OF COMPANIES

TOGETHER WITH INDEPENDENT AUDITORS` REPORT

Salacgriva, 2009

CONTENTS

General information

Name of company	JSC “Brivais Vilnis”
Legal status	Joint Stock Company
Common registration number, place and date of registration	40003056186, Riga, February 7, 1992
Legal address	1 Ostas Street, Salacgriva, LV-4033, Latvia
Largest shareholders	“IIB Investment Limited” (40.9 %) (12260 Willow Grove Road, Bldg. #2 Camden, DE 19934, County of Kent, State of Delaware, USA) “Finance & Trade Group” LLC (30,0 %) (12260 Willow Grove Road, Bldg. #2 Camden, DE 19934, County of Kent, State of Delaware, USA)
Members of the Board	Arnolds Babris, Chairman of the Board Māris Trankalis, Member of the Board Zinaida Ekmane, Member of the Board Vasilijs Iļušins, Member of the Board
Members of the Council	Aleksandrs Iļčenko, Chairman of the Council Ilona Drikina, Member of the Council Vladimirs Zļenko, Member of the Council Anita Lase, Member of the Council f Valērijs Belokoņs, Member of the Council
Financial year	1st January – 31st December, 2008
Auditors	Māris Bergmanis Certified Auditor Certificate No.67 SIA “ABrevīzija” Licence of Commercial Company No.122 Brīvības gatve 434-61, Riga, LV-1012, Latvia

Management Report

April 21, 2009

The types of activities performed by the JSC “Brivais Vilnis” (“the Company”) are processing and canning of fish and fish products, wholesale of food products, including fish, shellfish and mollusc, and other commercial activities classified nowhere else.

Year 2008 was the 17th year of operation since the Company was transformed into a Joint Stock Company. In 2008 the Company produced a total of 29 million cans of various types (143) of canned fish products, including 12.3 million cans of sprat. 28.2 million cans were sold for LVL 8.3 million.

The financial result of the year 2008 are losses of LVL 3 495 345. These losses are arisen from shape of reserves for write off of debtors’ debts that are formed in years 2003 and 2004. The amount of reserves for write off of precarious debts is LVL 3 604 991 and retrieval of them is doubtful.
The profit from economic activities in the year 2008 is LVL 109 646.

The management of the Company recommends to cover losses of the year of account from the profit of previous and next years and accrued reserves.

In October of 2008 the Company has performed revaluation of its fixed assets to approximate the property value to the market price. In accordance with assessment of approved assessor “Biznesa konsultantu grupa” Ltd., the part of fixed assets of the Company was revaluated for LVL 1 626 863.

The Company’s goal is to continue transformation in accordance with the EU quality requirements, real decrease the production expenses, optimize the management structure to enable the Company to compete and strengthen its position on the market of canned fish. The Company will also continue working on the implementation of ISO 9001:2000 quality management system.

The JSC “Brivais Vilnis” will continue cooperation with the Riga Stock Exchange, and remain listed in the free list of Riga Stock Exchange in 2009. The Company will continue to work on adoption of new markets in Western Europe and other world in 2009. To enlarge the competitiveness the Company has gained the IFS (International Food Standard) certificate.

The Company has founded the subsidiary company “Brivais Vilnis Company” Ltd. to improve and make more effective marketing activities in promotion of identification of trademark of the JSC “Brivais vilnis”, as well because of necessity to involve supplementary financing to these activities that was impossible to get within the framework of the Company due to the volume of existing credit liabilities. In December 5, 2009 the Company sold its rights to the main trademarks of the Company to the “Brivais Vilnis Company” Ltd. (further details in appendix No.15 of the financial statement)
The Company doesn’t consolidate the statement of the subsidiary company in the year 2008, because the “Brivais Vilnis Company” Ltd. is founded at the end of the year 2008 and didn’t start its activities yet. Financial result of the “Brivais Vilnis Company” Ltd. in 2008 was losses in amount of LVL 844 that basically shaped from indirect costs.

In the period from the last day of the year of account until the date of signing of this financial statement, on the 8th of January, 2009, owing to involvement of supplementary capital, the Company loses its control in the “Brivais Vilnis Company” Ltd.

Arnolds Babris
On behalf of the Board based on the decision by the Board

Profit or loss statement

	Notes	2008 LVL	2007 LVL
Net turnover	3	8 331 526	6 790 335
Cost of goods sold	4	(7 171 070)	(6 094 482)
Gross profit (or loss)		**1 160 456**	**695 853**
Selling expenses	5	(226 293)	(208 007)
Administrative expenses	6	(585 953)	(534 377)
Other operating income	7	232 083	849 974
Other operating expenses	8	(3 792 850)	(390 556)
Interest and similar income	9	3 482	5 025
Interest and similar expenses	10	(246 705)	(288 874)
Profit (or loss) before taxes		**3 455 780**	**129 038**
Corporate income tax for the reporting year	11	(28 955)	(41 843)
Deferred corporate income tax	11	2 001	6 441
Other taxes	13	(12 611)	(20 129)
Profit (or loss) of the reporting year		**3 495 345**	**73 507**
Earning (loss) per share		**-1.128**	**0.024**

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

Arnolds Babris
On behalf of the Board based on the decision by the Board

April 21, 2009

Balance Sheet

ASSETS

	Notes	31.12.2008 LVL	31.12.2007 LVL
LONG-TERM INVESTMENTS			
Intangible assets			
Concessions, patents, licences, trademarks and similar expenses		3 472	3 567
TOTAL	15	**3 472**	**3 567**
Fixed assets			
Land, buildings and constructions		2 580 958	977 294
Equipment and machinery		63 682	46 693
Other fixed assets		89 733	82 492
Establishment of fixed assets		664	4 550
TOTAL	16	**2 735 037**	**1 111 029**
Long term financial investments			
Interest in capital of related companies		2 000	-
TOTAL	17	**2 000**	**-**
TOTAL LONG-TERM INVESTMENTS		**2 740 509**	**1 114 596**
CURRENT ASSETS			
Stock			
Raw materials	18	390 736	434 833
Finished goods and goods for sale	18	504 148	256 164
Prepayments for goods	19	76 462	37 585
TOTAL		**971 346**	**728 582**
Receivables			
Trade receivables	20	1 370 801	3 992 771
Other receivables	21	91 390	822 916
Other loans	22	5 251	4 701
TOTAL		**1 467 442**	**4 820 388**
Cash		125 896	45 342
TOTAL CURRENT ASSETS		**2 564 684**	**5 594 312**
Total assets		**5 305 193**	**6 708 908**

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

Arnolds Babris
On behalf of the Board based on the decision by the Board

April 21, 2009

Balance Sheet

LIABILITIES

SHAREHOLDERS’ EQUITY	Notes	31.12.2008 LVL	31.12.2007 LVL
Share capital	23	3 099 450	3 099 450
Long term investment revaluation reserve		1 626 798	3 382
Reserves:			
other reserves		95 505	95 505
Retained earnings:			
retained earnings carried forward from previous years		73 507	-
profit (loss) of the reporting year		(3 495 345)	73 507
TOTAL SHAREHOLDERS’ EQUITY		**1 399 915**	**3 271 844**

LIABILITIES	Notes	31.12.2008 LVL	31.12.2007 LVL
Long term liabilities			
Loans from credit institutions	24	2 269 401	848 538
Other loans	25	25 667	1 168 040
Deferred corporate income tax liabilities		66 996	68 997
TOTAL		**2 362 064**	**2 085 575**
Short term liabilities			
Loans from credit institutions	24	195 000	435 135
Other loans	25	396 989	103 011
Customer advances		10 216	20 988
Accounts payable to suppliers and contractors		614 471	513 872
Compulsory state social security contributions	26	114 229	109 783
Other liabilities	27	148 703	119 303
Undistributed dividends		2 858	2 858
Accrued liabilities	28	60 748	46 539
TOTAL		**1 543 214**	**1 351 489**
TOTAL LIABILITIES		**3 905 278**	**3 437 064**
Total shareholders’ equity and liabilities		**5 305 193**	**6 708 908**

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

Arnolds Babris
On behalf of the Board based on the decision by the Board

April 21, 2009

Cash flow statement

	2008 LVL	2007 LVL
Cash flow from operating activities		
Profit or loss for the reporting period before extraordinary items and taxes	(3 455 780)	129 038
Adjustments:		
Depreciation and amortization	92 757	93 279
Interest expenses	220 422	233 721
Provision for vacations	14 211	5 129
Increase of accrued costs	3 608 759	452
Income from write-off of liabilities	-	(7 266)
Profit or loss from foreign exchange fluctuations on loans	-	(58)
Loss (profit) from disposal/write-off of fixed assets	4 508	(526 745)
Profit from operating activities before changes to the working capital	**484 877**	**(72 432)**
Decrease (increase) of stock	(245 639)	211 848
Decrease (increase) in receivables	(260 047)	(225 714)
Decrease/(increase) in prepaid expenses	(550)	(2 654)
Increase/(decrease) in payables	134 742	7 540
Cash generated by (used in) operating activities	**113 383**	**(81 412)**
Interest paid	(210 544)	(207 381)
Corporate income tax paid	(52 271)	(8 788)
Real estate tax	(12 611)	(19 254)
Net cash generated by (used in) operating activities	**(162 043)**	**(316 835)**
Cash flow resulting from changes in investments		
Purchase of fixed and intangible assets	(89 026)	(20 891)
Proceeds from sales of fixed assets	2 639	610 415
Net cash flow resulting from changes in investments	**(86 387)**	**(589 524)**
Cash flow from financing activities		
Loans received	2 577 320	340 000
Loans repaid	(2 229 176)	(598 862)
Lease payments	(19 160)	(18 369)
Net cash generated by (used in) financing activities	**328 984**	**(277 231)**
Increase/(decrease) of cash and cash equivalents	**80 554**	**(4 542)**
Cash and cash equivalents at the beginning of the period	**45 342**	**49 884**
Cash and cash equivalents at the end of the period	**125 896**	**45 342**

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

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On behalf of the Board based on the decision by the Board

April 21, 2009

Statement of Changes to Shareholders’ Equity

	Share capital	Long term investment revaluation reserve	Reserves	Retained earnings for the previous years	Profit (loss) of the reporting year	**Total**
As at 31st December 2006	**3 099 450**	**3 382**	**180 882**	**408 556**	**(493 933)**	**3 198 337**
Reclassification of profit	-	-	(85 377)	(408 556)	493 933	**-**
Profit of the reporting year	-	-	-	-	73 507	**73 507**
As at 31st December 2007	**3 099 450**	**3 382**	**95 505**	**-**	**73 507**	**3 271 844**
Revaluation of long-term investment	-	1 626 863	-	-	-	**1 626 863**
Revaluation reserve write-off	-	(3 447)	-	-	-	**(3 447)**
Reclassification of profit	-	-	-	73 507	(73 507)	**-**
Profit of the reporting year	-	-	-	-	(3 495 345)	**(3 495 345)**
As at 31st December 2008	**3 099 450**	**1 626 798**	**95 505**	**73 507**	**(3 495 345)**	**1 399 915**

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

Arnolds Babris
On behalf of the Board based on the decision by the Board

April 21, 2009

Appendix to the financial statements

1. General information of the Company

Joint Stock Company “Brivais Vilnis", address: Ostas iela 1, Salacgriva, LV 4033. The types of activities performed by the JSC “Brivais Vilnis” are processing and canning of fish and fish products, wholesale of food products, including fish, shellfish and mollusc, and other commercial activities classified nowhere else.

2. Accounting and evaluation methods – general accounting principles

Basis of preparation

The financial statements of JSC “Brivais Vilnis” are prepared in accordance with the “Annual Reports Law” applicable in the Republic of Latvia and Latvian accounting standards issued by the Latvian Accounting Council of the Republic of Latvia applicable in the reporting year.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period from 1st January, 2008 to 31st December, 2008.

Changes in accounting principles

In 2008 there came into force Latvian accounting standard No.9 “Investment properties”.

No significant changes were made to the Company’s accounting principles as a result of acceptance of the above standards.

Use of estimates

In the preparation of financial statements, management is required to make estimates and assumptions that impact balances disclosed under certain balance sheet and profit and loss statement items, including the amount of potential liabilities. Future events may impact the assumptions underlying these estimates. Any impact from changes in estimates is disclosed in the financial statements as determined.

Foreign exchange transactions

Functional and in financial statement used currency of the company is monetary unit of the Republic of Latvia Lats (LVL). All dealings in foreign currencies are revaluated in Lats by applying the official exchange rate of the Bank of Latvia at the date of performance of respective deal. Monetary assets and liabilities denominated in foreign currencies are converted to Latvian Lats by applying the official exchange rate prevailing at the last date of the reporting year. Differences in exchange rates resulting from payments in currencies or disclosure of assets and liabilities denominated in foreign currencies at rates other than the initial transaction accounting rates are recognised in the profit and loss statement at net value.

Exchange rates set by the Bank of Latvia are the following:

	31.12.2008	31.12.2007
	LVL	LVL
1 EUR	0,702804	0,702804
1 USD	0,495000	0,484000

Intangible assets

Intangible assets are carried at cost which is amortized over the useful life of the asset on a straight-line basis. If certain events or changes in circumstances evidence that the carrying amount of intangible assets may not be recoverable, the value of such assets is revised to state the effects of impairment.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment. No depreciation is calculated for land.

Depreciation is calculated on a straight-line basis over the useful life of the asset on straight-line basis. Depreciation is calculated from the month following the month of putting the asset into use or involvement of it in operating activities. When fixed assets are disposed or written off, their cost and accumulated depreciation is eliminated and profit or loss from sales or write-off is charged to the profit and loss statement. The following depreciation rates are set for the fixed assets:

	% per year
Buildings and constructions	*1-5*
Equipment and machinery	*20*
Vehicles	*20*
Other fixed assets	*10-50*
Software	*33*

The cost of fixed assets is formed by the purchase price, including import duties and non-deductible purchase taxes, and any other directly referable costs required to prepare the assets for usage and delivery to their location of usage. Costs such as repairs and maintenance incurred subsequent to putting the assets to use are disclosed in the profit and loss statement as incurred. When it is certain that economic benefits resulting from costs are likely to exceed the initial return on assets, such costs are capitalized as additional value of fixed assets.

If certain events or changes in circumstances evidence that the carrying amount of fixed assets may not be recoverable, the value of such fixed assets is revised to state the effects of impairment. If evidence of impairment exists and the carrying value of an asset exceeds its estimated recoverable amount, the asset or its cash generating unit is written down to its recoverable amount. The recoverable amount is the largest of net sales value and value in use. The value in use is determined by discounting the estimated future cash flow at present value using a pre-tax discount rate which reflects the current market forecast regarding the changes in the asset’s value and risk related to it. The recoverable amounts of assets not generating largely independent cash flows is determined for the cash generating asset to which it belongs. Impairment loss is recognized in the profit and loss statement as cost of goods sold.

Fixed assets are de-recognized upon disposal or in the case when future inflow of economic benefits from the asset is no longer expected. Any profit or loss arising from de-recognition of a fixed asset (calculated as the difference between the net income from disposal and the book value of the asset) are charged to the profit and loss statement as incurred.

Stock

Stock has been valued at lower of cost or net realisable value. Costs incurred to deliver stock to their current location and state are disclosed as follows:

- raw materials are recognized at purchase price based on the FIFO method;

- finished goods and work in progress is recognized according to the FIFO method at direct costs of materials and labour, plus an overall portion of production costs.

Net realisable value is the estimated selling price in the course of regular business less estimated costs required to finish and sell the goods. Net realisable value is disclosed as cost less allowances.

Stock is recognized at net book value less allowances for obsolete, slow-moving or damaged stock recognized based on an individual ageing analysis of obsolete or damaged stock.

Trade and other accounts receivable

Trade accounts receivable are carried at cost less doubtful debt allowances. Doubtful debt allowances are recognized when full recovery of the liability is no longer probable. Accounts receivable are written off when their recoverability is considered impossible.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and bank accounts.

Loans and borrowings

Loans and borrowings are initially carried at cost.

Contingent liabilities and assets

No contingent liabilities are recognized in these financial statements. Such liabilities are only recognized to the extent that an outflow of funds is reasonably expected. Contingent assets are not recognized in these financial statements. Such assets are recognized to the extent that an inflow of economic benefits related to the particular transaction is reasonably expected.

Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

As at the year end, a provision for unused vacations has been recognized in accordance with the number of vacation days unused as at 31st December 2008 and the average remuneration during the last six months of the reporting year.

Revenue recognition

Revenue is recognised when it is probable that the Company will gain economic benefits and to the extent it is possible to reasonably estimate the amount of such benefits. Revenue is recognized on the following conditions:

Sale of goods

Revenue is recognized when the Company has transferred all significant risks and rewards of ownership and the amount of revenue may be reasonably estimated.

Services

Revenue is recognized based on the stage of completion.

Interest

Revenue is recognized accordingly to the proper period of time.

Rental income

Rental income from investment property is recognized over the period of rent on a straight-line basis.

Earnings per share

Earnings per share are calculated by dividing profit after tax by the average weighted number of shares in the reporting period.

Corporate income tax

Corporate income tax comprises current and deferred tax. Current tax is calculated by applying a 15% rate to the taxable income during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The primary temporary differences result from different depreciation rates applied for accounting and tax purposes, certain non-deductible provisions for tax purposes and transferable tax losses to be used during the next five years.

Deferred tax liabilities are disclosed under long term liabilities.

Subsequent events

Financial statements reflect events that occurred subsequent to the year end and that provide additional information on the Company's financial position at the balance sheet date (adjusting events). If subsequent events do not have an adjusting nature, they are disclosed in the notes to the financial statements only if they are significant.

Reclassification

In 2008, according to the recommendation of the management, there are carried changes in classification of positions in comparison with the report of 2007 out. In the annual report for 2008 comparative results of 2007 are classified on basis of the year 2008 and are comparable.

Profit and loss statement for the period ended 31st December 2008 (discharge):

Position	Primary balance	Reclassification	Corrected balance
Long term financial investments			
Trade receivables	2 305 194	(2 305 194)	-
Other receivables	375 176	(375 176)	-
Short term financial investments			
Trade receivables	1 687 577	2 305 194	3 992 771
Other receivables	447 740	375 176	822 916

3. Net turnover

Business segment		2008	2007
Fish processing		8 331 526	6 790 335
	TOTAL:	**8 331 526**	**6 790 335**

Inter alia:

	2008	2007
Sold canned fish	8 116 381	6 545 871
Sold fish	215 145	244 464

Breakdown of the net turnover by geographic markets is not placed in annex of the financial statement, because the management of the Company finds that giving of this information could harm interests of the Company.

4. Cost of goods sold

		2008	2007
Materials		4 512 954	3 874 301
Personnel costs		1 984 892	1 612 857
Energy resources		285 017	247 944
Depreciation of fixed assets		69 661	61 583
Other costs of goods sold		318 546	297 797
	TOTAL:	**7 171 070**	**6 094 482**

5. Selling expenses

		2008	2007
Delivery costs and marketing		146 296	131 736
Personnel costs		55 918	51 605
Depreciation of fixed assets		205	75
Other selling expenses		23 874	24 591
	TOTAL:	**226 293**	**208 007**

6. Administrative expenses

		2008	2007
Personnel costs		284 672	235 373
Depreciation of fixed and intangible assets		18 455	15 907
Bank services		5 204	3 996
Other external expenses		97 418	88 046
Other administrative expenses		117 307	107 630
Gifts		62 897	34 904
Guarantees		-	48 521
	TOTAL:	**585 953**	**534 377**

7. Other operating income

	2008	2007
Income from sales of fixed assets	11 507	610 407
Income from public utilities services	82 614	74 806
Income from sales of current assets	22 602	67 792
Income from auxiliary production services	50 617	47 802
Rent income	14 205	15 165
Income from sales of electrical energy	22 862	14 650
Unclaimed liabilities	-	7 266
Other operating income	27 676	12 086
	232 083	**849 974**

8. Other operating expenses

	2008	2007
Write-off of fixed assets	12 667	84 215
Cost of public utilities services	70 662	68 061
Cost of selling materials	13 183	53 040
Cost of auxiliary production services	42 437	41 247
Other operating expenses	15 449	6 451
Doubtful debt allowance	3 604 991	10 089
Write-off bad debts	2 875	24 618
Penalties	9 178	57 604
Other expenses	21 412	45 231
TOTAL:	**3 792 850**	**390 556**

9. Interest and similar income

	2008	2007
Interest income on balances in bank accounts etc.	36	5 025
Income from fixed assets revaluation	3 446	-
TOTAL:	**3 482**	**5 025**

10. Interest and similar expenses

	2008	2007
Interest payments on loans	220 422	223 721
Loss from purchase and sales (translation) of foreign currencies	10 099	29 125
Loss on currency exchange fluctuations, net	16 184	36 028
TOTAL:	**246 705**	**288 874**

11. Corporate income tax

		2008	2007
Current corporate income tax change for the reporting year		29 472	41 843
Deferred corporate income tax due to changes in temporary differences		(2 001)	(6 441)
	TOTAL:	**27 471**	**35 402**

12. Other taxes

		2008	2007
Real estate tax		12 611	20 129
	TOTAL:	**12 611**	**20 129**

13. Personnel costs and number of employees

		2008	2007
Wages and salaries		2 034 270	1 544 181
Statutory social insurance contributions		485 469	367 257
Other benefits to former employees, excluding pensions		2 562	1 500
Reserves for unused vacations		14 210	5 129
	TOTAL:	**2 536 511**	**1 918 067**

Key management personnel compensation

		2008	2007
Chairman of the Board			
Wage and salary		15 739	14 681
Statutory social insurance contributions		3 792	3 537
	TOTAL:	**19 531**	**18 218**

Members of the Board and Council do not receive compensation for their work on Board and Council.

	2008	2007
Average number of employees during the reporting year	**436**	**429**

14. Audit expenses

		2008	2007
Audit of the financial statement		5 100	5 100
	TOTAL:	**5 100**	**5 100**

15. Intangible assets

		Software licences	TOTAL
Cost at January 1, 2008		22 231	22 231
	Purchased	10 180	10 180
	Written-off	(5 714)	(5 714)
Cost at December 31, 2008		26 697	26 697
Accrued amortization at January 1, 2008		18 664	18 664
	Amortization	4 719	4 719
	Written-off	(158)	(158)
Accrued amortization at December 31, 2008		23 225	23 225
Balance at January 1, 2008		**3 567**	**3 567**
Balance at December 31, 2008		**3 472**	**3 472**

On the 5th of December, 2008 the Company sold intangible assets belonging to the Company to its subsidiary company “Brivais vilnis Company” Ltd.: brand “Brīvais vilnis”, website on the Internet *brivaisvilnis.lv*, trademarks registered on the Patent office of the Republic of Latvia and US Patent and Trademark Office, property rights on the patent “Sprats in Jelly” and property rights on design of the Companies production. According to the provisions of the contract on sale of intangible assets the Company has rights to apply above mentioned intangible assets until the 30th of April, 2010 gratis. Beyond the appointed date period of use of intangible assets, when the Company has right to use above mentioned intangible assets gratis or for a consideration, can be prolonged.

“Brivais Vilnis Company” Ltd., according to the provisions of the contract, has rights to terminate right to use above mentioned intangible assets unilateral if:

- the Company terminates its activities in fishing industry;
- the Company transfers its rights to use to the third person;
- the Company creates similar to the sold assets;
- the Company uses assets against the type of use of them;
- the Company stabs “Brivais Vilnis Company” Ltd. image or interests.

16. Fixed assets

	Land	Buildings and constructions	Equipment and machinery	Other fixed assets	Construction in progress	TOTAL
Cost at January 1, 2009	20 535	1 419 675	862 725	430 971	4 550	2 738 456
Purchased	5 009	-	28 321	17 854	5 256	56 440
Purchased on lease	-	-	18 273	11 912	-	30 185
Reclassified	-	-	-	9 142	(9 142)	-
Depreciation write-off before revaluation	-	(358 091)	-	-	-	(358 091)
Revaluation	7 559	1 619 304	-	-	-	1 626 863
Liquidation	-	(201)	(5 639)	(5 840)	-	(11 680)
Cost at December 31, 2008	33 103	2 680 687	903 680	464 039	664	4 082 173
Accumulated depreciation at January 1, 2008	-	462 916	816 032	348 479	-	1 627 427
Depreciation	-	28 208	28 772	31 058	-	88 038
Depreciation of written-off fixed assets	-	(201)	(4 806)	(5 231)	-	(10 238)
Depreciation of revaluated assets	-	(358 091)	-	-	-	(358 091)
Accumulated depreciation at December 31, 2008	-	132 832	839 998	374 306	-	1 347 136
Balance at January 1, 2008	**20 535**	**956 759**	**46 693**	**82 492**	**4 550**	**1 111 029**
Balance at December 31, 2008	**33 103**	**2 547 855**	**63 682**	**89 733**	**664**	**2 735 037**

Fixed assets (continuation)

Cadastral value of the Company’s real estate

		31.12.2008	31.12.2007
Land		96 621	21 826
Buildings and constructions		1 071 655	1 280 428
	TOTAL:	**1 168 276**	**1 302 254**

Fully depreciated tangible assets

A number of fixed assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the reporting year was LVL 1 100 943 (2007: LVL 932 817).

Net carrying amount of assets under finance lease

The carrying amount of assets held under finance lease is as follows:

		31.12.2008	31.12.2007
Equipment and machinery		18 273	4 053
Other fixed assets		11 912	35 758
	TOTAL:	**30 185**	**39 811**

Leased assets are pledged as a security for related finance lease liabilities.

Depreciation

The total depreciation costs are included in the following profit and loss statement positions:

		2008	2007
Cost of goods sold		69 661	61 583
Selling expenses		205	75
Administrative expenses		18 455	15 907
	TOTAL:	**88 321**	**77 565**

Pledges and other encumbrances

The loan from the JSC “Baltic International Bank” is secured by the following Company’s real estate - management building (carrying amount as at December 31, 2008: LVL 214 253), land (carrying amount at December 31, 2008: LVL 33 103), equipment and machinery (carrying amount at December 31, 2008: LVL 87 648), real estate, cadastre 6615-509-0030, section No.334; real estate, cadastre 6615-509-0052, section No.283; real estate, cadastre 6615-501-0008, section No.301; real estate, cadastre 6615-009-0054, section No.581 and commercial pledge, registration No.100048672 (see Note 24).

The following agreements have been signed with respect to the security for the loan from the JSC “Baltic International Bank”:

1) Mortgage agreement No.622/0108/h signed on August 28, 2000, according to that the JSC “Brivais Vilnis” transfers to the bank pledge rights on its real estate.

2) Pledge agreement No.622/0108/ķ1 signed on August 1, 2000, according to that the JSC “Brivais Vilnis” transfers to the bank the rights to collective property as at the date of pledge, as well as to the future components of this collective property.
3) Mortgage agreement No.25/24/04-139 signed on July 21, 2004, according to that the JSC “Brivais Vilnis” transfers to the bank real estate in Salacgriva, Limbazu region, at Ostas iela 1, cadastre No 6615-509-0030, section No 334; cadastre No 6615-509-0052, section No 283.
4) Pledge agreement No.18/14/08-404 signed on December 4, 2008, according to that the JSC “Brivais Vilnis” pledges its shares of the”Brivais Vilnis Company” Ltd.

The loan from the JSC “Baltic International Bank” is secured by the following Company’s real estate – registered as second rank mortgage in Land Register department: of the Regional Court of Vidzeme and commercial pledge, registration No.100114010 (see Note 25).

The following agreements have been signed with respect to the security for the loan from the JSC “Belokon Holdings”:
1) Mortgage agreement No.01/2203/2007 signed on March 22, 2007. The pledged real estate for the JSC “Belokon Holdings” is cadastre 6615-501-0008, section No.301; cadastre 6615-509-0052, section No.283; cadastre 6615-509-0030, section No.334 and cadastre 6615-009-0054, section No.581.
2) Pledge agreement No.01/1007/2007 signed on July 10, 2007, according to that the JSC “Brivais Vilnis” transfers to the bank the rights to collective property as at the date of pledge, as well as to the future components of this collective property as second rank pledge.

17. Interest in capital of related and associated companies

In 2008 the Company has founded the subsidiary company “Brivais Vilnis Company” Ltd. The Company doesn’t consolidate the statement of the subsidiary company in the year 2008, because the “Brivais Vilnis Company” Ltd. is founded at the end of the year 2008 and didn’t start its activities yet. Financial result of the “Brivais Vilnis Company” Ltd. in 2008 was losses in amount of LVL 844 that basically shaped from indirect costs.
On the 8th of January, 2009, due to the involvement of supplementary capital, the Company loses its control in the “Brivais Vilnis Company” Ltd. and following the changes in the structure of participants the Company has 33,33% of fixed capital of the “Brivais Vilnis Company” Ltd.

18. Stock

	31.12.2008	31.12.2007
Raw materials (cost)	400 726	444 826
Allowance for slow moving materials and low value articles	(9 990)	(9 993)
TOTAL:	**390 736**	**434 833**

	31.12.2008	31.12.2007
Finished goods and goods for sale	509 444	257 692
Allowance for goods with sales value lower than cost	(5 296)	(1 528)
TOTAL:	**504 148**	**256 164**

19. Prepayments for goods

	31.12.2008	31.12.2007
Prepayment for raw materials	76 462	37 575
TOTAL:	**76 462**	**37 585**

20. Trade accounts receivables

		31.12.2008	31.12.2007
Trade receivables		1 370 801	3 992 771
Doubtful trade receivables		3 197 883	308 251
*Reserves for precarious debts *)*		(3 197 883)	(308 251)
	TOTAL:	**1 370 801**	**3 992 771**

*) By decision of the Board in 2008 are created reserves for the big export partners “Highgrove Financial Service” Ltd., “Grant Trading LC”, “Cardigan Commerce LLC” and “Forewood Group LLC” for the total amount of LVL 2 889 815. Account receivable is formed in years 2003 and 2004 and retrieval of them is doubtful.

21. Other receivables

		31.12.2008	31.12.2007
Prepayments – *doubtful receivables *)*		815 176	825 176
Doubtful debt allowance		(815 176)	(100 000)
Value added tax on unpaid invoices		534	3 369
Overpaid value added tax		58 588	63 131
Overpaid corporate income tax		19 721	-
Other receivables		12 547	31 240
	TOTAL:	**91 390**	**822 916**

*) By decision of the Board are created reserves for an advance payment to the *"Walder Impex LLC"* amounting to LVL 715 176. Account receivable is formed in year 2004 and retrieval of it is doubtful.

22. Prepaid expenses

		31.12.2008	31.12.2007
Property insurance		1 585	1 238
Media subscription		189	589
Other prepaid expenses		3 477	2 874
	TOTAL:	**5 251**	**4 701**

23. The share capital

The share capital of the Company is LVL 3 099 450, divided into 3 099 450 shares. The nominal value of each share is LVL 1.

	31.12.2008		31.12.2007	
Shareholders	Number of shares	Holding	Number of shares	Holding
“IIB Investment Limited”, reg. certificate No.299847, (12260 Willow Grove Road, Bldg.# 2 Camden, DE 19934, County of Kent , State of Delaware, ASV), according to the Central Depository of Latvia, the largest shareholder of it is the JSC “Baltic International Bank”	1 267 020	40.9%	1 267 020	40.9%
“Finance & Trade Group” LLC, reg. certificate No.2943662, (12260, Willow Grove Roade, BLDG.#2 Camden, DE 19934, County of Kent , Delaware, ASV), according to the Central Depository of Latvia, the largest shareholder of it is the JSC “Baltic International Bank”	929 878	30.0%	929 878	30.0%
Igors Surkovs, an individual *	650 885	21.0%	650 885	21.0%
Guntis Lame, an individual	60 900	1.9%	60 900	1.9%
Other individuals	190 767	6.2%	190 767	6.2%
TOTAL:	**3 099 450**	**100%**	**3 099 450**	**100%**

* On the 6th of April, 2009 shareholder Igors Surkovs has sold 619 000 of his shares to the Viktors Chingajevs.

24. Loans from credit institutions

Long term:			*Current interest rate (%)*	*Repayment date*	31.12.2008	31.12.2007
Loan from the JSC “Baltic International Bank” [1]	2 269 401	LVL	8.0%	13.02.2015	2 269 401	848 538
				TOTAL:	**2 269 401**	**848 538**

Short term:			*Current interest rate (%)*	*Repayment date*	31.12.2008	31.12.2007
Loan from the JSC ”Baltic International Bank”, short term part [1]	195 000	LVL	8.0%	13.02.2015	195 000	167 047
Loan from the JSC “Baltic International Bank”, credit line [1]	268 088	LVL	8.0%	14.11.2008	-	268 088
				TOTAL:	**195 000**	**435 135**

[1] Pledges and other encumbrances on property are discussed in Note 14.

25. Other loans

Long term:			*Interest rate during the reporting year*	*Repayment date*	31.12.2008	31.12.2007
Finance leae liabilities (long term part):						
"Parex līzings un faktorings" Ltd.	21 900	EUR	2.1% + 6m. LIBOR	15.05.2011	15 391	14 359
"Nordea Finance Latvia" Ltd.	14 621	EUR	7.1%	01.11.2013	10 276	-
"Unilīzings" Ltd.					-	4 035
Other loans					-	1 149 646
				TOTAL:	**25 667**	**1 168 040**

Short term:			*Interest rate during the reporting year*	*Repayment date*	31.12.2007	31.12.2006
Loan from "Belokon Holdings" JSC	242 495	LVL	8.0%	31.12.2009	242 495	-
Loan from an individual	126 190	EUR	8.0%	31.01.2009	88 687	-
Loan from "Easy Open" Ltd.	28 000	EUR	-	30.12.2008	19 679	-
Loan from non-resident	50 000	LVL	6.5%	31.12.2008	-	50 000
Finance lease liabilities (short term part):						
"Parex līzings un faktorings" Ltd.	3 923	EUR	2.1% + 6m. LIBOR	31.12.2009	11 478	6 688
"Nordea Finance Latvia" Ltd.	2 876	EUR	7.1%	31.12.2009	2 021	-
"Unilīzings" Ltd.	5 727	EUR	3% + 3m. LIBOR	25.07.2009	4 025	6 594
Interest for loans					28 604	38 408
				TOTAL:	**396 989**	**103 011**

Pledges and other encumbrances on property are discussed in Note 16.

26. Taxes payable

	31.12.2008	Calculated	(Paid)/refunded	31.12.2007
Statutory social insurance contributions	61 576	666 849	(653 063)	47 790
Resident income tax	49 272	348 620	(326 593)	27 245
Value added tax	(58 588)	709 868	(705 325)	(63 131)
Real estate tax	-	12 611	(12 611)	-
Corporate income tax	(19 721)	28 955	(81 743)	33 067
Natural resource tax	3 285	12 297	(10 592)	1 580
Business risk state duty	96	1 308	(1 313)	101
TOTAL:	**35 920**	**1 780 508**	**(1 791 240)**	**46 652**
TOTAL CLAIMS:	**(78 309)**	**-**	**-**	**(63 131)**
TOTAL LIABILITIES:	**114 229**	**-**	**-**	**109 783**

27. Other liabilities

		31.12.2008	31.12.2007
Wages and salaries		138 981	107 133
Other liabilities		9 722	12 170
	TOTAL:	**148 703**	**119 303**

28. Accrued liabilities

		31.12.2008	31.12.2007
Vacation pay reserve		55 649	41 439
Accrued liabilities for annual report audit		5 100	4 647
	TOTAL:	**60 749**	**46 539**

29. Contingent liabilities

The Company’s assets are pledged as discussed in Note 16.

30. Contingent liabilities

There is a court claim against the JSC “Brivais Vilnis” repeatedly submitted by the administrator of the insolvent Limited Liability Company "Ruisa Seafoods" for the loss of LVL 688 640 allegedly incurred by the "Ruisa Seafoods" Ltd. in 2004. On November 16, 2006, the Regional Court of Vidzeme examined the claim of the “Ruisa Seafoods” Ltd., declined it and found it unjustified. The administrator of the above company has appealed to the Supreme Court and the case was examined on February 19, 2008. The claim of the “Ruisa Seafoods” Ltd. was rejected in full.
The administrator of the insolvent “Ruisa Seafoods” Ltd. Appealed in 2008 the verdict of the Civil case panel of the Supreme Court of the Republic of Latvia from 04.03.2008 to Senate of the Supreme Court. Senate of the Supreme Court discharged the cassation claim. Next hearing in this cause is not assigned yet.

31. Operations with related persons

In 2008 the Company has founded the subsidiary company “Brivais Vilnis Company” Ltd. On the 8th of January, 2009, due to the involvement of supplementary capital, the Company loses its control in the “Brivais Vilnis Company” Ltd. and following the changes in the structure of participants the Company has 33,33% of fixed capital of the “Brivais Vilnis Company” Ltd.

Debts of related party shown in the balance at the end of the year of account:

		31.12.2008	31.12.2007
“Brivais Vilnis Company” Ltd. – debt for rent		54	-
	TOTAL:	**60 749**	**46 539**

Operations in the year of account with related persons:

		2008	2007
Sale of intangible assets (see note 15)		10 000	-
Rent of premises		46	-
	TOTAL:	**10 046**	**-**

Regulations and terms applicable in operations with related persons

Goods and services are sold to related persons and obtained from related persons for normal market price. Outstanding debts at the end of the year are not assured in no shape and payments are performed by money. No guarantees are provided and received for any liabilities of related persons. The Company hasn’t created any reserves for precarious debts related with amounts that related persons are in debts to it.

32. Financial risk management

The most significant financial instruments of the Company are loans from credit institutions and cash. The key purpose of these financial instruments is to finance the Company's business activities. The Company is engaged in several other financial instruments such as trade accounts receivable and other accounts receivable, accounts payable to suppliers and contractors and other accounts payable, prepayment for goods for delivery that directly result from business activities.

The primary financial risks related to Company’s financial instruments are the currency risk, interest rate risk, liquidity risk and credit risk.

Currency risk

Financial assets and liabilities exposed to currency risk include cash and cash equivalents, trade accounts receivable, accounts payable to suppliers and contractors, and short and long term loans. The primary exposure to the currency risk is represented by USA dollar and euro. The Company has made successful conversion to payments in EUR.

In order to control the currency risk, the Company matches the currencies for short and long term loans with expected future cash flows from currencies of business activities.

Interest rate risk

The Company is subject to the interest rate risk arising primarily in relation to its short and long term loans. The existing policies provide that the largest portion of interest rates on loans is floating. The average interest rate on loans is disclosed in Notes 24 and 25.

Credit risk

The Company is exposed to credit risk in relation to its trade receivables, cash and cash equivalents. Management controls the credit risk by regular assessment of customer debt history and individual lending terms for each customer. In addition, the Company performs continuous monitoring of receivables to reduce the possibility of incurring bad debts.

33. Prosecution of operation

The Company has completed the year of account with losses of LVL 3 495 345. The management of the Company recommends to cover losses of the year of account from the profit of previous and next years and accrued reserves.

34. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.
We notify that the Board of the JSC “Brivais vilnis” has prosecuted the claim for damages in Regional Court of Riga for the amount of LVL 3 261 363 from the former members of the Board of the JSC “Brivais vilnis” in March, 2009.

SIA ABrevīzija

ZVĒRINĀTU REVIDENTU KOMERCSABIEDRĪBA

LICENCE Nr. 122

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS „BRĪVAIS VILNIS"

Report on the Financial Statements

We have performed the audit of financial statements accompanying the annual report of AS „BRĪVAIS VILNIS" (the Company) for the year 2008 as set out on pages 5 to 24. The audited financial statements comprise the balance sheet as at 31 December 2008, profit-loss statement for the year 2008, statement of changes in equity, cash flow statement as well as a summary of significant accounting policies and other explanatory notes as an appendix.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law On Annual Reports of the Republic of Latvia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing approved in Latvia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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